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## TESTIMONY OF ENE (ENVIRONMENT NORTHEAST) TO THE COMMERCE COMMITTEE

*Supporting: Raised House Bill No. 6650, AAC Energy Efficiency Programs*

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ENE (Environment Northeast) is a non-profit research and advocacy organization that focuses on energy, air quality and climate change solutions for New England and Eastern Canada. ENE has been active in Connecticut since 1999 and appreciates this opportunity to provide written testimony to the Commerce Committee on *Raised House Bill 6650, An Act Concerning Energy Efficiency Programs*.

ENE has been a member of the Energy Efficiency Board in Connecticut since its inception over a decade ago. Efficiency programs in this state are top ranked in the nation and have saved electric and natural gas customers millions of dollars over time on their utility bills. However, approximately half of our residents are left in the cold when it comes to efficiency programs because—absent 2009 federal stimulus dollars, proceeds from the Regional Greenhouse Gas Initiative and temporary access to the Energy Efficiency Fund—oil and propane heat customers have a diminished opportunity participate in our award winning programs. Investments in oil efficiency save consumers nearly seven dollars for every dollar invested. At today's oil prices, investing in all cost effective oil efficiency would save the average Connecticut family nearly \$1,000 per year on their heating bill.

We believe that the creation of substantial and effective efficiency programs to reduce the consumption of heating oil and propane is vital to advancing the economic, energy and environmental well-being of the citizens of Connecticut. Currently, the state faces challenges in each of these areas. Further, economic development is threatened by relatively high energy costs.

Connecticut has very limited control over the price of most fuels in the. However, we do have control over our consumption, and by lowering consumption during winters and throughout the year, an average household can save hundreds of dollars each year on our heating bills. As has been demonstrated in the electric sector, the state can have a significant impact on the demand side of the equation by developing comprehensive programs to reduce consumption. ENE strongly recommends that the General Assembly establish strong and effective oil and propane efficiency programs that can follow this model to the benefit of the state and its citizens.

## Economic Benefits

A primary reason for developing significant efficiency efforts is the economic benefits which such programs can produce. Because Connecticut has few indigenous fuel resources, it must obtain these fuels at relatively high prices from distant and often geopolitically unstable places.

Some will argue that prices are so high that we can't afford to invest in programs that will reduce consumption. ENE believes this is exactly the wrong conclusion. The only way the State can improve its situation is by taking significant steps to control the demand for these fuels by improving the efficiency of their use. A key element of any conservation program is that it must be cost-effective—that is, that the economic value of the energy savings must exceed the total program costs. If the program is managed according to this principle, as the bill would require, consumers will necessarily realize economic benefits.

In 2009, ENE conducted a study and issued a report, *Energy Efficiency: Engine of Economic Growth*,<sup>1</sup> that quantified the macroeconomic impacts of increased energy efficiency investments in New England. Annual efficiency program budgets were modeled for various fuel types, and the results demonstrated significant benefits. Not only did these investments create direct install jobs, they resulted in net savings for residents and businesses that were then spent in the local economy, thereby creating jobs in other industries, boosting the gross state product (GSP), and making the state more competitive. The economic results can be summarized as follows:

**Table 1. Summary of Connecticut Economic Impacts per Dollar Invested in Oil and Propane Heating Efficiency**

	Results for Unregulated Fuels
<b>Total Efficiency Program Costs (\$Billions)</b>	\$ 1.6
<b>Increase in GSP (\$Billions)</b>	\$ 12
Percent of GSP increase resulting from efficiency spending	8%
Percent of GSP increase resulting from energy savings	92%
Dollars of GSP increase per \$1 of efficiency program investment	7.1
<b>Increase in Employment (Job Years)</b>	78,000
Maximum annual employment increase (jobs)	4,600
Percent of employment increase from efficiency program investment	11%
Percent of employment increase from energy savings	89%
Job-Years per \$Million of efficiency program investments	48

These results, good as they are, are based on the average price from 2003-2006 of only \$1.50 per gallon. The average price of heating oil sold in Connecticut was over \$4.00 per gallon last week, meaning the increase in jobs and economic activity in the state from investments in heating oil

<sup>1</sup> Howland, J et al. *Energy Efficiency: Engine of Economic Growth* (2009). Available at <http://www.ene.nc.org/resources/open/p/id/964>.

efficiency would be on the order of 2.5 times greater than the figures above. The economic benefits alone make the development of these programs an obvious choice for the state. A small increase in prices at the wholesale level to cover the cost of the program is completely offset by savings from reduced consumption.

### **Environmental Benefits**

ENE's 2009 study also demonstrated that the environmental benefits from oil and propane efficiency programs are also substantial.<sup>2</sup> The following table illustrates these savings:

**Table 2: Summary of Connecticut Energy Saved and Greenhouse Gas Emissions Avoided with Oil and Propane Efficiency Programs**

<b>Energy Savings</b>	<b>Result for Unregulated Fuels (TBTU)</b>
Maximum annual savings	29
Maximum savings vs. Business as usual	28%
Lifetime savings (15 years of programs)	368
<b>Equivalent GHG Emissions Avoided</b>	<b>(Millions short tons)</b>
Maximum annual avoided emissions	2.3
Maximum annual avoided emissions vs. 2005 total Connecticut emissions	5.2%
Lifetime avoided emissions (15 years of programs)	41

Drawing on the success of the electric and natural gas programs, Raised House Bill 6650 requires that the existing Energy Efficiency Board of which the Commissioner of the Department of Energy and Environmental Protection is the Chair (and of which I am currently the vice-Chair), with the Fuel Oil Conservation Board, oversee the planning, evaluation, and management of the efficiency programs. This would provide the greatest opportunity for the lessons learned to date in similar activities to be extended to the new programs. The bill also provides that a particular focus would be on promoting joint efforts such as those described above to ensure the most efficient delivery of services to consumers.

### **Recommendations for Technical Modifications to Raised H.B. 6650**

While ENE strongly supports this bill and urges the Committee to make a favorable joint finding, there are several modifications we would like to recommend.

First, we recommend that Section 3(a) be modified so that the unit of tax treatment for oil and propane is on a heat content, or BTU, basis. The current unit of comparison by volume in gallons will not treat oil and propane equally and will disadvantage propane customers, who will need to burn more propane by volume to produce the same amount of heat as with oil. This can be corrected by adjusting the assessment to 0.66 cents per gallon of propane for every one cent per gallon on oil.

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<sup>2</sup> *Id.*

Second, we recommend that Section 5(b) be updated with current statutory language controlling the issue of access to the state's electric efficiency programs. Oil and propane customers currently have temporary access to electric ratepayer funds through last year's Senate Bill 501, which was passed during the 2012 special legislative session. That bill removed the \$500,000 cap on participation by oil and propane customers and instead gave them the opportunity to receive some limited funding for efficiency measures from electric funds until July 1 of this year.

Third, we recommend that the language in Section 6(a) regarding the Energy Star standard for new oil heat furnaces and boilers should be amended. Instead of "shall meet or exceed", we recommend deleting "meet or" so that the language reads: "All eligible furnaces and boilers shall exceed federal Energy Star standards." This will bring the language into alignment with the remainder of Section 6(a), which sets specific equipment efficiency standards that are actually higher than the current federal Energy Star standards. We recommend giving statutory force to the higher efficiency standards.

Fourth, we recommend against the consideration of federally mandated congestion charges by the Fuel Oil Conservation Board. Since those charges are related to electric use, a review of it with respect to oil efficiency does not seem necessary.

And, fifth, we recommend that Section 4 of Raised House Bill 6650 be harmonized with House Bill 6360 if that bill passes out of the Energy and Technology Committee. H.B. 6360 proposes a number of reforms to Connecticut's energy efficiency procurement process that will improve that process and help ensure that the state fully invests in all cost-effective energy efficiency. We support having the amendments in Section 4 of 6650 incorporated into the efficiency revisions proposed by 6360, which should not conflict.

## **Conclusion**

Significant heating oil and propane conservation programs would provide large economic, energy security, and environmental benefits to Connecticut energy consumers and to the state. ENE urges the Committee to approve this important bill.

Thank you for the opportunity to testify.

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